

## Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 MANILA 4989

LIMDIS

E.O. 11652: GDS

TAGS: ECON, PINT, RP

SUBJECT: MARCOS AND THE OLIGARCHS-- THE TRANSFER OF ECONOMIC  
POWER

REF.: MANILA 1316, FEB 5, 1973

1. REFTTEL PROVIDE AN APPRAISAL, AT THE END OF FIVE MONTHS  
OF MARTIAL LAW, OF MARCOS' TIPS, PROBLEMS AND CONTENTIONS  
WITH THE OLIGARCHY. THAT CABLE ALSO ADDRESSED THE LINKS  
BETWEEN HIS BATTLES WITH THE OLIGARCHS AND THE MOTIVATIONS  
AND THE PROSPECTS FOR HIS ANNOUNCED PROGRAMS UNDER MARTIAL  
LAW. THIS MESSAGE TAKES A NEW LOOK AT THE STATE OF THAT  
CONTEST, WHILE ATTEMPTING TO LOOK BEHIND A GROWING BODY OF  
FACT AND RUMOR ABOUT WEALTH AND THE PALACE, TO SEE WHERE  
MARCOS SEEMS TO BE HEADING, AND TO MAKE SOME IMPORTANT  
DISTINCTIONS BETWEEN A MERELY PREDATORY GREED AND A POSSIBLE

EMRECENT ECONOMIC STATISM. THIS REPORT THEN EVALUATES THE  
THE IMPLICATIONS OF THE ONGOING SIZEABLE TRANSFER OF  
ECONOMIC POWER FOR THE FUTURE STABILITY AND OUTLOOK OF THE  
MARCOS GOVERNMENT.

2. MARCOS HAS CONDUCTED HIS CONTINUOUS FIGHT WITH THE  
OLIGARCHS WITH A PERSISTENT SKILL AND TOUGHNESS, BUT IN AN  
ATMOSPHERE OF GROWING CHARGES OF CORRUPTION AND DUPLICITY,  
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AND OF INCREASING QUESTIONS ABOUT THE ROLE OF HIS WIFE, HER

FAMILY AND ENTOURAGE. IN MUCH OF WHAT FOLLOWS IT IS NOT ALWAYS POSSIBLE TO SEPARTATE FACT FROM RUMOR, OR CANDOR FROM MERE BITTER VETCH AND DISAPPOINTMENT. TO DISTILL OUT AS MUCH OF THE LATTER AS WE CAN, WE HAVE STUCK AS CLOSELY AS POSSIBLE TO TESTED SOURCES AND TO FAIRLY WELL-KNOWN OR DOCUMENTED CASES.

3. OUR SUMMARY APPRAISAL IS THAT THE CONCENTRATION OF ECONOMIC POWER IN AND AROUND THE PALACE HAS PPROGRESSED MORE OR LESS WITHOUT INTERRUPTION SINCE MARTIAL LAW. WHILE THERE IS A STRONG AND PREDICTABLE TENDENCEY OF ONLOOKERS TO SEE THE PROCESS ONLY AS THE ENHANCEMENT OF PERSONAL WEALTH, AND FOR MANY FILIPINOS TO BE FAIRLY RELAXED ABOUT THE PROCESS, THE PRESENT GARNERING OF WEALTH AND SECTORAL ECONOMIC POWER APPEARS TO US MORE KEYD TO A FUTURE POWER DESIGN THA A TRADITONAL BAD HABIT. SOME ARGUE BY EXAMPLE AND WITH STRONG CONVICTION THAT THE ACQUISITIVENESS OF CERTAIN PALACE ELEMENTS HAS LOST ALL PERSPECTIVE.WE BELIEVE IT IS PREMATURE TO SAY, HOWEVER, WHETHER THE GREATEST EFFECT IS TO (A) LINE PRIVATE POCKETS; (B) ENHANCE THE PUBLIC DOMAIN; OR (C) ELABORATE THE BASE FOR A NEW PHILIPPINE POWERE STRUCTURE FOCUSED IN THE STATE AND IN PRESENT LEADERSHIP. ALL OF THESE, OF COURSE, CAN BE TRUE IN SOME MEASURE AT THE SAME TIME.

4. PART OF THE INTERPRETIVE PROBLEM IS THAT DETAILS OF THE PROCESS HAVE BEEN CLOSELY HELD. SPECIFIC TAKEOVEERS HAVE BEEN ACCOMPLISHED THROUGHT--AND IN DEGREE ON BEHALF OF-- A SELECTED GROUP OF CLOSE FRIENDS AND CONFIDANTS ON BOTH SIDES OF THE HOUSE. THIS GROUP HAS NOT EXPANDED NOTICE-ABLY FROM PRE-MARTIAL LAW PATTERNS OF BUSINESS ASSOCIATION AND FREINDSHIP, EVEN THOUGH THE BENEFICIARIES OF RECENT GROWTH HAVE BEEN AN EXPANDING GROUP INCLUDING OFFICIERS OF THE GOVERNMENT, SOME OF WHOM HAVE BEEN GIVEN CORPORATE DIRECTORATE POSITIONS AND SALARIES.THIS LATTER STEP, RESPECTING A NUMBER OF KEY CIVILIAN AND MILITARY PERSONNEL, MAY IN FACT BE A CONTRIBUTION TO AVERAGE HONESTY RATHER THAN A SPREAD OF CORRUPTION.

5. IN TODAY'S REVOLUTION: DEMOCRACY, MARCOS MADE AN EXCELLENT IF HARDLY AIRTIGHT CASE FOR CURTAILING THE POWER OF THE OLIGARCHS WITH THE BEGINNING OF MARTIAL LAW.THE QUOTE  
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NEW SOCIETY UNQUOTE DEPENDED IN PART ON FRUSTRATING GREATER CONCENTRATION OF WEALTH IN THEIR HANDS -- IF NOT IN ABSOLUTELY REDUCING THEIR EXISITNG WEATLTH -- AND ACHIEVING A MORE EQUITABLE DISTRIBUTION OF INCOME.IN THIS REGARD, MARCOS' FIGHT ACQUIRED SOME IDEOLOGICAL VALIDITY AND POPULAR ACCEPTANCE. CLOUDING THIS RESPECTABILITY AMONG THE COGN-OSCENTI, HOWEVER, WAS AWARENESS OF THE CONSIDERABLE WEALTH MARCOS HIMSELF HAD ACCUMULATED IN OFFICE. IT WAS HOPED, AND

THERE WAS SOME EVIDENCE, THAT HE HAD QUOTE REFORMED. UNQUOTE  
FEW OF THE EARLY POST-MARTIAL LAW RUMORS TOUCHED HIM, ALTHOUGH  
THE DISTAFF REPUTATION REGULARLY SUFFERED IN SUCH TALES.

6. THERE WAS ALSO IN THE EARLY PHASES A GOOD DEAL OF GENUINE  
HIGH PRIORITY AND MUCH DEFERRED POLICY REFORM TO BE UNDER-  
TAKEN IN MOST ECONOMIC FIELDS. MOST SUCH CHANGES (GOVERNMENT  
REORGANIZATION, TAX REFORM, GENERAL AND CENTRAL BANK REFORMS,  
INFRASTRUCTURAL DEVELOPMENT, ETC.) THE OLIGARCHS AND OTHER  
FILIPINOS AS WELL AS FOREIGN BUSINESS MEN ALIKE HAILED AS  
GENERALLY BENEFICIAL. THE WATERSHED BEGAN TO APPEAR WHEN  
THESE TASKS LARGELY WERE DONE OR LAUNCHED, MAINLY BY THE END  
OF THE FIRST EIGHTEEN MONTHS. EXAMPLES OF POLICY CATERING  
TO OLD CRONYSIM OR TRADITIONAL ECONOMIC NATIONALISM (NOTABLY  
CASES ARISING IN SHIPPING, COPYRIGHT, INSURANCE, ETC.)  
BEGAN THEREAFTER TO APPEAR WITH, TO BUSINESSMEN, A DEPRESSING  
FREQUENCY. WITH APPEARANCE OF THESE EXAMPLES, TALES  
OF NEW PALACE MOVES TO TAKE OVER VARIOUS BUSINESSES BEGAN  
TO SPREAD.

7. THE STYLE OF SUCH TAKEOVER MOVES AS IT HAS EMERGED IN  
THE PAST YEAR OR SO IS TO GO AFTER OR TO ENHANCE EXISTING  
SHARES IN MAIN PROFIT CENTERS AND TO LEAVE LESSER ENTER-  
PRISES TO THE EXISTING OWNERS. CORPORATE MANAGEMENT IS NOT  
NECESSARILY CHANGED OR INTERFERED WITH IN THE PROCESS. EARLY  
IN THE FIRM'S STARTUP, FOR EXAMPLE, THE PRESIDENT IS WIDELY  
BELIEVED TO HAVE BECOME THE MOST IMPORTANT FILIPINO SHARE-  
HOLDER IN MARCOPPER. HE HAS A KNOWN DESIGNATEE ON THE BOARD  
(GILBERTO DUAVIT) BUT DOES NOT OPENLY INTERFERE IN MANAGEMENT.  
IN THE TRADE FOR THE RELEASE OF JESUS CABARRUS, JR., WHO  
WAS ARRESTED WITH LOPEZ AND OSMENA, A WELL-PLACED SOURCE  
STATES THAT SOME MONTHS AGO THE LATER CABARRUS TRANSFERRED  
A ONE-THIRD INTEREST IN MARINDUQUE MINING AND INDUSTRIAL  
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CORPORATION (MMIC), THE WONER INTER ALIA, OF THE NEW NICKEL  
PROJECT ON NONOC ISLAND NORTH OF SURIGAO, TO THE PRESIDENT'S  
DESIGNEE (NOTABLE DIRECTORS ARE CESAR ZALAMEA AND ALEJANDRO  
MELCHOR). IN RECENT WEEKS, THE PRESIDENT, WHO REPORTEDLY  
FEELS HE HAS AN HISTORIC RIGHT TO MINING LEASES BEING EXPLOITED  
BY THE FIRM, HAS ASKED CHARLES PALANCA, ACCORDING TO AN  
EXCELLENT SOURCE, TO ARRANGE A SALE OF LEPANTO TO A GOVERNMENT  
DESIGNEE. THE GOVERNMENT ALREADY OFFICIALLY OWNS  
OVER 16 PERCENT (ACQUIRED IN THE 1940S). FORMER AMBASSADOR  
TO THE U.S. ERNESTO LAGDAMEO RECENTLY HAS COME UNDER MOST  
PRESSURE, ACCORDING TO ONE REPORT, TO GIVE UP CONTROL OF  
PHILIPPINE STANDARD, AN AMERICAN-MINORITY OWNED PRODUCER OF SAN-  
ITARY WARES, TO A PALACE GROUP. A COMPANY, FORTUNA CERAMICS,  
HAS BEEN FORMED TO BUY OUT LAGDAMEO INTERESTS (FORTUNA  
BARA IS THE PRESIDENT'S SISTER).

8. AT THE SAME TIME, HOWEVER, A SERIOUS AND NECESSARY ATTEMPT HAS BEEN MADE BY THE GOVERNMENT TO SORT OUT AND TO RECTIFY A HAIR -RAISING SCALE AND PATTERN OF DEBT OWED TO THE DEVELOPMENT BANK OF THE PHILIPPINES (DBP) AND TO OTHER PUBLIC FINANCIAL BODIES. MANY OF THESE DEBTS (HEAVILY CONCENTRATED IN CEMENT AND SUGAR) WERE NOT BEING SERVICED AND SOME MEANS WAS NEEDED TO JOLT THE DEBTORS INTO PAYING AND TO RESTORE THE FISCAL HEALTH OF THE ENTITIES INVOLVED. THIS PROCESS INVOLVED BLACK-LISTING THE SLOW PAYERS AND IN SOME CASES, NOTABLY THE JACINTO ENTERPRISES, PLACING FIRMS IN RECEIVERSHIP, OR TURNING LOANS INTO EQUITY. THE LATTER APPEARS TO HAVE BEEN A FAIRLY WIDELY-USED DEVICE IN THE CASES OF CEMENT AND SUGAR CENTRALS

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AN ESTABLISHED GOVERNMENT INTEREST EXISTED WAS ASKED TO TAKE A SENIOR GOVERNMENT OFFICER ONTO THE BOARD. A SHORT LIST OF SUCH DESIGNEES INCLUDES: EDUARDO RODRIQUEZ (ILIGAN); MJR GENERAL JOSE RANCUDO (PAL); EXECUTIVE SECRETARY ALEJANDRO MELCHOR (LUSTEVECO AND MMIC); DEFENSE SECRETARY JUAN PONCE ENRILE (PNB); INDUSTRY SECRETARY VICENTE PATERNO (MERALCO).

9. IT WAS THEN AND CONTINUES NOW TO BE HARD TO ARGUE WITH MANY OF THESE INTERVENTIONS, BECAUSE THE DEBTS TO DBP AND OTHER SUCH ENTITIES REFLECTED A PATTERN OF INFLUENCE AND POLITICAL ABUSE THAT HAD STRANGLING THE DBP AND WOULD HAVE CONTINUED TO STIFLE ITS STATUTORY LENDING PROGRAM UNLESS THE BANK COULD RECOUPE. THESE STEPS THUS ALSO PROCEEDED WITH A SUFFICIENT AWARD OF RESPECTABILITY AND PUBLIC ACCEPTANCE, EVEN THOUGH IT WAS WIDELY RECOGNIZED THAT POLITICAL CATERING ALLOWED BY MARCOS IN HIS FIRST ADMINISTRATION CONTRIBUTED AS MUCH AS ANY OTHER FACT TO THE SORRY STATE OF DBP ACCOUNTS.

10. ACCOMPANYING THE CLEAN-UP OF DBP ACCOUNTS WAS A TWO PHASE TAX AMNESTY, A VERY TIMELY AND WELL-CALCULATED MOVE MADE AFTER YEARS OF CHAOS AND FAVORITISM IN TAX POLICY AND PRACTICE, WHICH HAD LED TO THE MOST RAMPANT TAX EVASION.

THIS POLICY, WHICH AMNESTIED UNDECLARED INCOME AND PROFIT  
UPON DECLARATION AND PAYMENT OF A 10 PERCENT TAX, YIELDED  
OVER PESOS 800 MILLION IN REVENUE TO THE GOVERNMENT, AND MANY  
CONSIDERED THIS THE MERE TIP OF THE ICEBERG. THE AMNESTY  
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RELATES TO THE SUBJECT OF THIS REPORT BECAUSE IT HAS PROVED  
TO BE A DEVICE TO REGULATE AND CONTROL AS WELL AS A USEFUL  
TAX MEASURE. THE AMNESTY HAS TAKEN SEVERAL STAGES OF  
EXHORTATION BECAUSE BUSINESSMEN DO NOT FULLY TRUST THE BIR  
NOT TO ENGAGE IN BLACKMAIL OR THE PALACE NOT TO USE EARLIER  
QUOTE CONFESSIONS UNQUOTE TO EXTRACT FUTURE CONFORMITY.

11. IN ADDITION TO THE FOREGOING RELATIVELY WELL-JUSTIFIED  
ASSAULTS ON THE WEALTH AND POWER OF THE OLIGARCH AND LESSER  
HOLDERS OF WEALTH, A PARTICULAR CASE WAS MADE OF OLD POLITICAL  
ENEMIES AND POSSIBLE FUTURE SOURCES OF CHALLENGE TO POWER.  
FOREMOST AMONG THESE WERE THE LOPEZ, OSMENA AND AQUINO  
EMPIRES. VARIOUS EMBASSY MESSAGES HAVE REPORTED DETAILS OF  
THESE TAKEOVERS (SEE MANILA 10642, SEP 18, 1973; MANILA 12145,  
OCT 26, 1973 MANILA 12853, NOV 15, 1973). THREE OR FOUR  
ADDITIONAL POINTS WILL SUFFICE HERE: FIRST, THE TAKEOVER OF  
AQUINO FAMILY ASSETS AND INTEREST (PANTRANCO, LUISITA, FIRST  
UNITED BANK, ETC.) IS NOT YET COMPLETE, BUT THE PRINCIPAL  
BENEFICIARIES TO EMERGE SO FAR ARE THE ROMUALDEZ FAMILY,  
MOST VISIBLY LEYTE GOVERNOR BENJAMIN (KOKOY). SECON, THE  
OSMENAS WERE NOT AS WEALTHY AS OTHERS IN THIS GROUP, AND  
MAJOR ASSETS (CEBU DEVELOPMENT CORP.) REMAIN IN CONTENTION,  
BUT THEY PROWBLY WPLL BE ACQUIRED BY GOVERNMENT, ACCORDING  
TO A CABINET SOURCE. THIRD, TAKEOVER OF LOPEZ INTEREST  
HAVE BEEN SKILLFUL MANEUVERS, BECAUSE THEY ARE LARGE AND  
VERY LEVERAGED. THE BOOK VALUE OF MERALCO AND BEN PRES WAS  
ABOUT \$1.0 BILLION IN 1972, OF WHICH MORE THAN \$800 MILLION  
REPRESENTED DEBT, MOSTLY TO U.S. ENTITIES. WHILE THE  
PALACE AND ESPECIALLY ROMUALDEZ INTERESTS ARE SAID TO  
DOMINATE THE MERALCO FOUNDATION WHICH TOOK OVER FROM THE  
LOPEZ FAMILY, THEY HAVE ASSUMED, RESTRUCTURED AND ARE  
SERVICING THE VERY LARGE DEBT. HOWEVER, IN THE CASE OF  
ABS-CBN, THE BEN PRES TELEVISION AND RADIO SYSTEM TAKEN  
OVER MAINLY BY BOBBY BENEDICTO, NO DEBTS ARE BEING SERVICED;  
NO RENT IS BEING PAID, AND FNCB, AMONG OTHERS, IS CONSIDERING  
COURT ACTION OR FORECLOSURE.

12. ONE CAN DWELL AT LENGTH ON CASE HISTORIES, BUT A FEW  
SUFFICE TO SET THE TONE, AND ALL ELSE IS EXPLICATION. THE  
CURRENT, MOST PRESSING CASE IS LUZON STEVEDORING, A GOOD  
PROSPECT BECAUSE IT HAS BEEN AN EXCELLENT GROWTH COMPANY WITH  
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DIVERSIFIED HOLDINGS UNDER CAPABLE MANAGEMENT. ON JANUARY 8, 1975 THE GOVERNMENT, ACTING THROUGH DND SECRETARY PONCE ENRILE OFFERED TO BUY OUT PRESENT SHAREHOLDERS (EQUALLY DIVIDED ABOUT 1/3 EACH AMONG DON MARSHALL, AN AMERICAN; THE PUYAT FAMILY; AND EMPLOYEES OF THE FIRM). THE SALE WAS FINALIZED ON APRIL 7, 1975 (MANILA 4561).

13. IF THE ENTERPRISES IN LUSTEVECO'S STABLE ARE ALL TO REMAIN IN THE PUBLIC SECTOR, PERHAPS AS IN THE CASE OF SUGAR EXPORT TRADE ONE MIGHT ARGUE THAT A PRIMA FACIE CASE EXISTS FOR BETTER FUTURE USE OF THE ASSETS THAN WOULD BE SO IN TRADITIONAL PRIVATE FILIPINO HANDS. PERSISTENT RUMOR HAS IT, HOWEVER, THAT THE FIR WILL BE DIVIDED; STEVEDORING AND TRANSPORT TO IMELDA SUPPORTERS; INTER-ISLAND SHIPPING TO PNOC; SALVAGE TO A GROUP AROUND PNOC CHAIRMAN GERONIMO VELASCO AND PONCE ENRILE, AND THE BULK SUGAR HANDLING FACILITIES TO ROBERTO BENEDICTO. IT WILL BE SOME TIME BEFORE SUCH RUMORS CAN BE TESTED.

14. A BROADLY FRONTAL ASSAULT ON ADDITIONAL WEALTH FOR THE OLIGARCHS, AS WELL AS A KEY MOVE IN EXPANDING THE PUBLIC SECTOR, WAS LAUNCHED WITH THE CAPTURE OF EXCESS PROFITS FROM EXPORTS. THIS BECAME ATTRACTIVE AND SIGNIFICANT IN EARLY 1973 WITH THE EXPORT COMMODITY PRICE BOOM. INITIALLY EXPORT PREMIUM TAXES TOOK THE CREAM OFF VERY FAVORABLE MARKET PRICES BEGINNING IN MID-1973. THE FULL SCALE TAKEOVER OF SUGAR EXPORT TRADE WAS ACCOMPLISHED BY THE END OF 1974. (MANILA 7007, JUNE 13, 1974). CONCURRENTLY, MOVES WERE MADE TO ACQUIRE AND/OR CONCENTRATE OWNERSHIP CONTROLS OVER MASS MEDIA (NOW VIRTUALLY COMPLETE), PUBLIC TRANSPORTATION, INTER-ISLAND SHIPPING AND CERTAIN OTHER ACTIVITIES WHICH IN THE RATIONALE USED ARE VESTED IN SOME DEGREE WITH THE PUBLIC INTEREST.

15. THE INDIRECT APPROACH OF THE PALACE TO AN ACTUAL TAKE-OVER BLURS THE AMOUNT OR THE FACT OF DIRECT PALACE INVOLVEMENT AND AT THE SAME TIME BLURS THE LINE BETWEEN OFFICIAL GOVERNMENT AND FAMILY ACQUISITIONS. PRIOR TO MARTIAL LAW, THE TECHNIQUE OF THE PALACE WAS TO WORK THROUGH MESSRS. QUOTE X, Y AND Z, UNQUOTE FAIRLY WELL TARGETED AT THE TIME AMONG HONORIO POBLADOR AND POTENCIANO ILLUSORIO OF PHILCOMSAT; AMBASSADOR ROBERTO BENEDICTO;  
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RICARDO SILVERIO OF AIR MANILA, AND GERONIMO VALASCO. RELATIVE NEWCOMERS TO THIS STABLE, BUT CURRENT LEADING LIGHTS ARE CESAR ZALAMEA OF PHIL-AM LIFE AND TONY AYALA OF THE AYALA CORPORATION, FORMER CONSTITUTIONAL CONVENTION DELEGATE GILBERTO DUAVIT, AND, SINCE HIS RETURN TO THE PHILIPPINES, REPORTEDLY PLACIDO MAPA, THE NEW PRESIDENT OF PHILIPPINE COMMERCIAL AND INDUSTRIAL BANK. THE STANDARD EXPECTATION IS

THAT THE APPEARANCE OF THESE NAMES ON THE BOARD OF ANY FIRM REFLECTS A PALACE INTEREST. SOME SAY ZALAMEA OR AYALA REPRESENT IMELDA ALONE. LEADING EXAMPLES ARE MARCOPPER, ATLAS, BENGUET. ZALAMEA AND AYALA BETWEEN THEM ARE NOMINALLY ON BOARDS OF MORE THAN 100 COMPANIES. INCREASINGLY VISIBLE EXAMPLES ARE DUAVIT, VELASCO, ANGARA, A MEMBER OF PONCE ENRILE'S FORMER LAW FIRM, AND A PALACE PORTFOLIO MANAGER NAMED D'ISSINI. BOTH VALASCO AND ANGARA FIGURE IN A RECENT KING RANCH CONTRACT. VALASCO IS ALLEGEDLY REPRESENTED THROUGH A PROXY, A CHINESE NAMED PETER TIONG, IN THE NEW MANDARIN HOTEL. IT IS HARD TO SCRATCH ANY MAJOR CURRENT MANILA HOTEL OR CONDOMINIUM PROJECT WITHOUT FINDING AN QUOTE X-Y-Z UNQUOTE REPRESENTATIVE.

16. WHAT IS THE OBJECT OF THIS INCREASINGLY ELABORATE AND SEEMINGLY PUBLIC ENTERPRISE? WHILE AT TIMES A TRADITIONAL ECONOMIC NATIONALISM SERVES AS THE SPOKEN MOTIVE FOR ABOVE, E.G., THE PENDING BOAST OF MINING EQUITY TO A MINIMUM 70 PERCENT FILIPINO, THERE IS LITTLE IF ANY APPARENT IDEOLOGICAL DRIVE BEHIND THE ACTUAL TAKEOVERS. DIRECT ACQUISITION OF SHARES BY THE GOVERNMENT, INCREASINGLY BY DBP, GSIS, PNB, VETERANS BANK, AND, AS REPOSITORY, THE CENTRAL BANK, SUGGESTS AT FIRST BLUSH A STATISM AT WORK, BUT FEW EXPECT SUCH OWNERSHIP TO BE ENDURING, AND SOME, ESPECIALLY AMONG THE TECHNOCRATS, URGE DIVESTMENT IN DUE COURSE. ONE GOOD SOURCE CANDIDLY EXPECTS, HOWEVER, AN UNABASHED SPINOFF IN GOOD TIME TO CHOSEN PRIVATE INSTRUMENTS OF PALACE INVESTMENT.

17. AN OLIGARCH WHO LONG HAS ENJOYED ACCESS TO THE PRESIDENT HAS A DIFFERENT THEORY. HE SAYS THAT A NUMBER OF YEARS AGO HE AND MARCOS CAREFULLY STUDIED THE SPANISH MODEL, AND HE

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CONVINCED MARCOS AT THE TIME THAT WITH CAREFUL GATHERING OF THE REINS OF POWER THE PHILIPPINES COULD BE RUN LIKE A DIVERSIFIED PRIVATE COMPANY. THIS SOURCE IS CONVINCED THAT MARCOS IS WELL ON THE WAY TO IMPLEMENTING SUCH A MODEL AND HAS NO INTENTION TO SPIN OFF THE ACQUISITIONS; RATHER HE WILL CONTINUE SLOWLY TO ACQUIRE ALL THE BEST FOR A PALACE/GOVERNMENT/MARCOS PORTFOLIO.

18. THIS MODEL REQUIRES, AMONG OTHER THINGS, A REVIEW OF THE SOMETIMES APPARENTLY DIVERGING ROLES AND AMBITIONS OF THE FIRST COUPLE. IT WOULD SUPPORT WHAT OFTEN APPEARS TO BE A PERSONAL DIRECTION OF ALL ASPECTS OF THE SHOW BY MARCOS AND AN AGREED DIVISION OF LABOR BETWEEN HIM AND MRS. MARCOS. THIS IS NOT NECESSARILY OUT OF KEY WITH HER WELL-KNOWN ACQUISITIVENESS OR HER SOMETIME TENDENCY TO REPORT THE PALACE VIEW AS QUOTE I THINK. UNQUOTE WHATEVER THE CASE ON THIS POINT, THE MODEL WILL WORK WITH THE HELP OF A SMALL CADRE OF TRUSTED FRIENDS AND CONFIDENTS WHO ARE ALSO CAPABLE BUSINESSMEN. ALL THE WELL-KNOWN QUOTE X-Y-Z'S UNQUOTE HAVE GOOD REPUTATIONS AS BUSINESS MANAGERS.

19. KNOWLEDGEABLE FILIPINOS WILL READILY SUGGEST THAT THE ECONOMIC POWER OF THE PALACE IS GROWING AND THE PORTFOLIO EXPANDING WHERE THEY GET A LITTLE VAGUE OR TEND TO DIVERGE IS ON THE QUESTION OF QUOTE WHY? UNQUOTE EVEN THE OLIGARCHS WHO HAVE GIVEN OVER A SHARE IN THEIR ACTIVITIES DO NOT SEE  
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MARCOS AS DIFFERENT IN MOTIVE OR INTENT FROM THEMSELVES. HE IS ONLY FOR A TIME MORE SUCCESSFUL. HE IS, IN THEIR VIEW, A GOOD DEAL SMARTER THAN ANY OTHER VISIBLE CONTENDER FOR HIS ROLE, AND THEY WOULD BE LIKE HIM IF THEY COULD. IN THEIR VIEW, THEREFORE, THERE IS NOTHING IDEOLOGICALLY COMPLICATED ABOUT WHAT MARCOS IS DOING, ALTHOUGH IT IS OBVIOUSLY OF SURPASSING POLITICAL AND ECONOMIC CONSEQUENCE FOR THE FUTURE OF THE PHILIPPINES.

20. WHETHER THE UPCOMING NEW GENERATION OF SEEMINGLY APOLITICAL YOUNG BUSINESSMEN WOULD TAKE A DIFFERENT VIEW IS HARD TO SAY. THEY SEEM HIGHLY CONSCIOUS AS A GROUP OF THE SCALE AND LOCATION OF ECONOMIC INTEREST EMANATING FROM THE PALACE, BUT AS ONE VERY BRIGHT MEMBER OF THIS GROUP PUT IT, THE PALACE INVOLVEMENT IS BY AND LARGE BOTH QUOTE DISCREET AND NON-INTERFERING. UNQUOTE THIS APPRAISAL DOES NOT APPLY, OF COURSE, TO A FEW CELEBRATED CASES. IN ANY EVENT, MARCOS HAS BEEN ABLE



TO MAKE HIS MOVES IN A GROWING ECONOMY IN SUCH A WAY THAT MUCH OF THE NEW ECONOMIC POWER ACCRUING TO THE CENTER (A) IS REFLECTED IN WEALTH CREATED SINCE MARITAL LAW; (B) HAS BEEN ACQUIRED, AS IN THE LUSTEVECO CASE, ON PAYMENT OF A DEFENSIBLE PRICE; AND (C) HAS NOT LEFT THE MAJORITY OF VICTIMS ABSOLUTELY MUCH WORSE OFF, IF ANY, THAN THEY WERE. IN THIS RESPECT, MARCOS APPEARS TO HAVE SUCCEEDED IN TRUNCATING THE POWER OF THE OLIGARCHS, LEAVING THEM STILL ABSOLUTELY WEALTHY BUT GREATLY ENHANCING THE WEALTH OF GOVERNMENT/PALACE/HIMSELF AND INCREASING THE OVERALL POWER AND INFLUENCE OF THE STATE. SUFFICE IT TO SAY THAT THE YOUNGER GROUP WHO SUPPLY THIS PERSPECTIVE MANAGES TO COPE WITH THE MARCOS ENVIRONMENT, AND THEY DO NOT SEEM PRONE TO TILTING WITH WINDMILLS.

21. FROM THE VIEWPOINT OF MOST FILIPINOS, WHAT MARCOS IS DOING SEEMS STILL TO FIT A FAMILIAR AND FOR THEM NOT UNCOMFORTABLE MODEL. IN AN ASIAN MANNER THE PALACE AND THE PRESIDENT TRADITIONALLY HAVE BEEN THE PRIME CENTER OF POWER. THE ACCRUAL OF GREATER WEALTH AND POWER TO THE PALACE WOULD NOT IN ITSELF, THEREFORE, BE A SOURCE OF NEW CONCERN. IN ANY CASE QUOTE UTANG NA LOOB, UNQUOTE THE SENSE OF MORAL OBLIGATION, IS STILL A STRONG CULTURAL FORCE AND THE QUOTE PADRON, UNQUOTE A TRADITIONAL FOCUS OF WEALTH AND SOURCE OF LARGESS STILL LIVES. TO SUCCEED IN THIS PATTERN OF EXPANSION MARCOS MUST  
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KEEP THE PALACE DOORS OPEN IN SOME WAY TO SPREAD AROUND THE FRUITS OF HIS SUCCESS. TO THE EXTENT THAT HE DOES THIS, HE WILL HAVE LITTLE TROUBLE KEEPING MOST FILIPINOS WITH HIM. TO THE EXTENT THAT HE CHANNELS THE FLOW INCREASINGLY THROUGH PUBLIC INSTITUTIONS HE WILL BOTH STABILIZE HIS POSITION AND IMPROVE THE PROSPECTS OF A NON-CHAOTIC TRANSITION FROM HIS LEADERSHIP.

22. THE EFFECTIVE INCOME TRANSFERS CALLED FOR BY THE FOREGOING LOGIC HAVE BECOME OF GROWING IMPORTANCE AS INFLATION HAS BITTEN INTO FAMILY INCOME. MARCOS AND HIS TECHNOCRATS HAVE SEEN A PARTIAL SOLUTION TO THIS PROBLEM IN THE FORECAST DRAFTING OF PUBLIC WORKS AND PRIVATE CONSTRUCTION ACTIVITY. THIS HAS CREATED MORE JOBS IN THE SKILLED, AND UNSKILLED CATEGORIES AND HAS EXPANDED URBAN FAMILY INCOME, MEASURABLY IF NOT WHOLLY OFFSETTING THE IMPACT OF LAST YEAR'S HIGH RATE OF INFLATION. FOR THE TIME BEING, THEREFORE, MARCOS APPEARS TO BE MEETING HIS END OF THE BARGAIN.

23. AGAINST THE PROBABLY ACCEPTANCE BY MOST FILIPINOS OF INCREASING WEALTH AND POWER ACCRUING TO THE PALACE, THERE MUST BE POSED A FAIRLY COMMON RESENTMENT OF CERTAIN ACTS AND EXTRAVAGANCES ASSOCIATED WITH THE PALACE, THE NEW RICH MEMBERS OF THE AFP AND PERHAPS A FEW OTHERS OF THE NEWLY WEALTHY.

THERE WAS, FOR EXAMPLE, VOCAL CRITICISM OF THE VARIOUS REFERENDA AS BOTH COSTLY AND UNNECESSARY; THIS SEEMS NOT TO HAVE BEEN CONFINED MERELY TO THE PREDICTABLE URBAN SOURCES OF OPPOSITION OPINION; RATHER IT CUT FAIRLY DEEPLY INTO MIDDLE AND LOWER INCOME CATEGORIES, MANY OF WHOSE MEMBERS NOW ARE PAYING TAXES FOR THE FIRST TIME. MARCOS MAY RIGHTLY FEEL, HOWEVER, THAT IN HIS OWN POLITICAL TERMS, THE VALUE OF THE REFERENDUM HAS BEEN WORTH THE CRITICISM. MUCH OF THE RESENTMENT, IT SHOULD BE NOTED, RUNS TO PET PROJECTS OF MRS. MARCOS, SUCH AS THE FOLK ARTS THEATER, AND IT NO DOUBT CAN FEED ON THE OSTENTATIOUS AFFLUENCE OF CERTAIN ARMED FORCES ELEMENTS WHO RAPIDLY HAVE CHANGED THEIR LIFE STYLES. SUCH DISPLAYS STAND OUT IN THE PRESENT ENVIRONMENT BECAUSE OLD STYLE OSTENTATION OF THE ESTABLISHED RICH HAS BECOME QUITE PASSE. IT IS SIGNIFICANT TO THIS APPRAISAL, HOWEVER, THAT MARCOS HIMSELF CONTINUES RELATIVELY FREE OF CRITICISM ON ALL THESE FRONTS.

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24. FROM THE VIEWPOINT OF THE U.S. INTEREST, ON BALANCE THE MARCOS ACTIONS AND ATTITUDES COVERED IN THIS REPORT SUM UP TO A STRENGTHENING OF HIS HAND IN DIRECTING THE POLITICAL LIFE OF THE STATE AND IN ALLOCATING ITS RESOURCES. MARCOS APPEARS, THEREFORE, TO HAVE GREATLY ENHANCED HIS OWN STRENGTH WHILE, TO BE SURE, ADDING TO THE LIST OF HIS ENEMIES. EVEN THOUGH ONE RANKING OLIGARCH SAYS THAT QUOTE WHEN THE CHIPS ARE DOWN, ALL FILIPINOS ARE YELLOW, UNQUOTE MARCOS' TAKEOVERS, HOWEVER ENGINEERED ON THEIR FACES, OF COURSE POSE SOME DANGER TO HIMSELF AND, IN THE PRESENT UNFORMED STAGE, TO THE DURABILITY OF THE ECONOMIC POWER STRUCTURE HE HAS CREATED. ON THE OTHER HAND, THE POWER OF ANY FUTURE PHILIPPINE LEADER TO DIRECT THE AFFAIRS OF THE COUNTRY WITHOUT FACING THE HISTORICALLY UNBEATABLE CHALLENGE OF OLIGARCHIC WEALTH HAS BEEN GREATLY ENHANCED. TO WHAT EXTENT THE LATTER CONTINUES TO BE TRUE DEPENDS IN THE FUTURE ON WHETHER THE WEALTH APPARENTLY ACCRUING TO MARCOS OR HIS DESIGNEES ACTUALLY COMES TO RESIDE IN INSTITUTIONS OF THE STATE. IF IT DOES NOT COME OVERTLY INTO THE PUBLIC DOMAIN, THE OWNERSHIP OF SUCH WEALTH CAN EASILY BE CAPTURED TO THE ACCOUNT OF PRESENTLY VISIBLE HOLDERS WITH THE END OF MARCOS POWER MUCH THAT NOW RESIDES WITH SURROGATES AND PROXIES--THE XS, YS, AND ZS-- WOULD NEED, THEREFORE, TO BE OVERTLY DECLARED AS PUBLIC PROPERTY TO BECOME A RELIABLE INSTRUMENT OF ANY MARCOS SUCCESSOR. WE DO NOT YET KNOW WHETHER HE WILL TAKE THAT FINAL STEP OR, IF HE WERE TO DECIDE TO TAKE IT, HE WOULD HAVE THE REST OF THE PALACE WITH HIM.

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